

1 BEFORE THE
2 ILLINOIS COMMERCE COMMISSION
3
4 IN THE MATTER OF:)
5)
6 ELECTRIC POLICY COMMITTEE)
7 MEETING,)
8)
9 Chicago, Illinois
10 October 16th, 2001
11
12 Met pursuant to notice at 2:00 p.m.
13
14 BEFORE:
15
16 ILLINOIS COMMERCE COMMISSION
17
18 Mr. Richard Mathias, Chairman
19 Ms. Ruth Kretschmer, Commissioner
20 Mr. Terry Harvill, Commissioner
21 Mr. Edward Hurley, Commissioner
22 Ms. Mary Francis Squires, Commissioner
 (Telephonically)

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1 COMMISSIONER HARVILL: Good afternoon. This is
2 a scheduled meeting of the Illinois Commerce
3 Commission, its Electric Policy Committee, held
4 pursuant to notice. Present in Chicago are
5 Commissioners Hurley, Commissioner Mathias,
6 Commissioner Harvill, and we should be joined
7 shortly by Commissioner Squires and Commissioner
8 Kretschmer.

9 As noted in the notice for this meeting,
10 the purpose of this meeting is to discuss a letter
11 that was sent to Chairman Mathias back in April
12 regarding the advance of competition in the
13 marketplace. Specifically the issue of the
14 provider of last resort as it relates to
15 Commonwealth Edison.

16 Just a little bit of housekeeping here
17 before we begin. There was a notice that was put
18 out very shortly some time ago, that there will be
19 a workshop on Wednesday, October 24th at 1:00
20 o'clock in the Commission's Chicago office. Mainly
21 to discuss the issues that are going to be
22 presented here today. That is open to anybody and

1 everybody that would like to attend. I would hope
2 that if you would, if you could please contact one
3 of the two people that are actually listed on the
4 notice so that we have enough space and can
5 accommodate you or your organization.

6 That being said, the presentation today
7 is going to be given by Ms. Pam Strobел from
8 Commonwealth Edison. Ms. Strobел is CEO of Exelon
9 Energy Delivery and Chairman of Com Ed. And Ms.
10 Arlene Juracek, the vice president of regulatory
11 and strategic services for Commonwealth Edison. I
12 will turn things over to you, take as much time as
13 you need, I'll let you go through your
14 presentations and if we could hold the questions to
15 the end there will be time for commissioners to ask
16 question at that point in time.

17 MS. STROBEL: Very well, thank you. Thank you
18 Commissioner Harvill, and good afternoon to you and
19 to Chairman Mathias, to Commissioner Hurley and to
20 Commissioner Squires. We welcome the opportunity
21 to begin this discussion in an open forum this
22 afternoon. And before I move to our formal slide

1 presentation, which Arlene Juracek and I are going
2 to share, I wanted to just make a couple of
3 comments about what we would hope to do this
4 afternoon, and what we are not intending to do.

5 And what we would hope to do is layout
6 for a lot of future dialogue and discussion how we
7 see the transition currently to competition under
8 the Illinois restructuring legislation, and then to
9 also frame what we see as one very critical issue
10 that needs to be addressed in the second half of
11 the transition to competition.

12 So this is just the beginning. I guess
13 the first step would have been the letter that we
14 sent in April to the chairman, but this is really
15 the first step to get the open dialogue and
16 discussion under way on the issue of provider of
17 last resort obligations under our restructuring
18 act.

19 You'll see that we have attempted to lay
20 out some factual background as to what has occurred
21 in Illinois in this first half of the transition
22 period. Some observations of what has occurred, an

1 identification of how we see the provider of last
2 resort issue being framed in Illinois. But very
3 importantly, to some of the members of the audience
4 who will be participating in this dialogue, we
5 wanted to say at the outset that we do not profess
6 to have all of the answers, by any means.

7 This is really a step to frame the
8 issues, and then to have very robust dialogue among
9 all the market participants and all of the
10 stakeholders and constituents in Illinois under the
11 helm of the Commission to look at this issue. I
12 think we will see that this will require a lot of
13 reflection and discussion with the best alliance
14 that we have in Illinois on this issue. And
15 eventually a lot of detail work, undoubtedly, will
16 need to occur.

17 Today Illinois is over halfway through
18 the transition period created by the 1997
19 Restructuring Act. As the end of the transition
20 period draws near, however, there is a major issue
21 that needs to be addressed and resolved in the
22 coming year to insure that Illinois' restructuring

1 efforts remain on track.

2 Problems in California's electric
3 industry have raised concerns about whether such
4 problems could happen in Illinois after the
5 transition period ends. And although when we sent
6 our letter in April, I think there was a much
7 greater concern that we would see actual rolling
8 blackouts, and a much more serious situation in
9 California this past summer than what transpired.

10 I know that the engaged participants in
11 electricity restructuring know that the problems in
12 California have not been solved. And in fact, if
13 anything, we have some greater advantage of time to
14 reflect on what went wrong in California, what is
15 going right in Illinois, but what needs to be
16 addressed so that we don't end up in a California
17 type situation as we get nearer to the transition
18 period.

19 We do have several advantages in
20 Illinois that make it unlikely that we would
21 experience California's problems, but now is the
22 time to be sure that we do not become lulled into

1 complacency because things do seem to be going well
2 up to this point. And we have to continue to all
3 be involved in managing the transition to
4 competition.

5 We will further discuss today our April
6 2nd proposal, which we framed as our effort to
7 create certainty and promote competition by
8 appropriately defining Com Ed's power and energy
9 supply service obligations in the post transition
10 period. We will also address what we propose to be
11 our first step in implementing this proposal.

12 The Illinois difference. With respect
13 to customers actually venturing off traditional
14 bundled tariffs, Illinois is in better shape than
15 other restructured states. Customer participation
16 levels are increasing daily. The competitive
17 marketplace is developing, new generation is being
18 proposed and constructed in Northern Illinois, and
19 other parts of the state.

20 Com Ed and other utilities are pursuing
21 the development of the Alliance Regional
22 Transmission Organization, and eventually the ARTO

1 will facilitate the transfer of electricity within
2 a larger regional area.

3 Let's look at some of the statistics as
4 of today, or as of last Friday. As most people
5 know now, all 340,000 of Com Ed's commercial and
6 industrial customers have a choice of their energy
7 supplier. And 3.4 million residential customers
8 will have choice beginning on May 1st of next year.
9 Nonresidential customers are, in fact, exercising
10 choice in Illinois. As of October 12th, there are
11 15,666 customers on our rate RCDS or delivery
12 service rate.

13 This represents a 64 percent increase
14 since January 1st, when all nonresidential
15 customers were afforded access. That is over
16 20,250 gigawatt hours of sales, which is about 33
17 percent of eligible sales or 23 percent of Com Ed's
18 total system. Just as a frame of reference, that
19 is greater than the entire system of Illinois
20 Power. And it is over 5,000 megawatts of demand on
21 having set a new peak this summer, what is the Com
22 Ed 21, 574 megawatt system.

1 The next slide that we have shows the
2 total number of nonresidential customers taking
3 delivery services on our rate RCDS. The red line
4 at the top, which represents the total number of
5 rate RCDS customers has been steadily increasing
6 since open access began in 1999. The three lines
7 below it represent the generation supply options
8 that delivery service customers are utilizing.
9 They are the purchase power option, referred to as
10 the PPO. Interim supply service, and RES, Retail
11 Electric Supplier supplied the power.

12 The next chart reflects the kilowatt
13 hour sales of the customers that are enrolled in
14 delivery services. In this chart, you can see the
15 relationship that has developed between RES
16 supplied power, and power supplied under the PPO by
17 Com Ed. In the year 2000, RES supply depended on
18 FRP service, but beginning in January of '01 that
19 service ended. RES initially relied on the PPO as
20 a supply strategy, and with the new pricing for the
21 PPO, the PPO and RES supply numbers are running
22 neck and neck, and we will explain as we go through

1 our presentation the significance of that.

2 On wholesale supply development, I think
3 we have a very good story to tell in Illinois.
4 Back in the 1998 time frame, Com Ed began to
5 actively invite new generation into its service
6 territory. As a result, Com Ed's service territory
7 has the most active development of new generation
8 in the nation. Over 5,000 megawatts of new
9 capacity has been added since 1998, and that
10 includes over 32 megawatts on line in the year
11 2001. An additional 92 megawatts of new generating
12 capacity has been announced for the period 2002
13 through 2005. Roughly 3300 megawatts of this new
14 capacity is already under construction, and 15
15 different corporate entities are involved with
16 these projects.

17 For the period 2002 through 2005, Com Ed
18 has received interconnection requests representing
19 over 24,000 megawatts of new generating capacity to
20 the system as posted on the OASIS.

21 At the same time, we are starting to see
22 a changing phenomenon in the wholesale market in

1 terms of the price. New generation capacity along
2 with declining natural gas costs now are
3 contributing factors to the current expectations
4 for lower commodity prices next year. The Into
5 Cinergy Forward contracts were currently declining
6 30 percent over the course of the next year.

7 To insure that these markets continue to
8 develop, we must appropriately define utility
9 obligations, and limit the utility's obligation to
10 provide supply service to all customers. It is
11 critical that the pricing in this obligation is
12 structured in a manner that will facilitate
13 continued competitive market development.

14 Defining and developing this structure
15 today will not only allow the utility to plan
16 accordingly, but will provide certainty to
17 customers, to the retail electric suppliers and the
18 wholesale market participants.

19 We have been developing a supply service
20 pricing proposal that would, we believe, accomplish
21 the following: Provide the price certainty that
22 smaller customers might find valuable, without

1 discouraging competitive entry, enhance the
2 development of competitive marketplaces for large
3 users, and help insure a reliable supply of
4 electricity for all customers.

5 As shown in this chart, a key element of
6 our proposal attempts to balance the needs and
7 interest of all customers by dividing the
8 obligation to serve into two distinct groups, and
9 this is the crux of the proposal, that is to
10 separate large customers from the small customers.
11 We've chosen 400 kilowatts of demand as the
12 dividing line between small customers. We would
13 refer to the small customers sometimes as the mass
14 market and larger customers.

15 Note that the 400 kilowatt level divides
16 energy sales nearly evenly between the two groups.
17 As a basis for comparison, a mom and pop grocery
18 store is typically between 200 to 250 kilowatts.
19 Your average Jewel and Dominick stores would run
20 from 400 to 500 kilowatts. And those big new super
21 stores, for example a K-Mart or a Target are
22 between 750 kilowatts and one megawatt.

1 Dividing the obligation to serve in this
2 manner allows the tailoring of supply service to
3 the needs of both classes. As 400 kilowatts and
4 above, the customer is spending well over 100,000,
5 creating both an opportunity and an incentive to
6 realize real savings, i.e. a 5 to 10 percent
7 savings on a bill of that size, and above, would
8 mean real money to that customer.

9 The competitive supply market inevitably
10 holds some risks for retail customers. When we
11 reach that point at the end of the transition
12 period when we have full competition for all
13 customers, there needs to be a recognition that
14 there will be risk associated with full
15 competition. And it would be our premises that
16 most large customers are generally well equipped to
17 manage the risks of the market, and in fact were
18 the vocal advocates of competition during the
19 debate and passage of the Illinois Restructuring
20 Act.

21 These customers have the resources, and
22 the information at their disposal to exercise

1 choice of supply with confidence. On the other
2 hand, smaller customers are either less willing or
3 less equipped to manage the risks of the market.
4 These customers do not have the resources and/or
5 the information at their disposal to exercise
6 choice with confidence.

7 Residential customer participation
8 levels nationwide have been understandably lower
9 than business customer levels. Arlene will now
10 address how we see the risks to small customers.
11 How the needs of both small and large customers
12 will be met by restructuring the obligation to
13 serve. And the first steps that we propose to take
14 to transition large customers on to the market.

15 MS. JURACEK: Thank you. There has been a lot
16 of discussion about market price volatility and
17 exposure to it with a lot of discussion about the
18 nonresidential switching numbers to date.

19 My first slide really drives home a
20 message that even those customer who, for example,
21 the smaller customers who choose to say stay on a
22 bundled rate with the utility will still indirectly

1 face some market exposure, even though they are
2 going to the incumbent utility for their service.
3 They are simply not immune from prevailing market
4 conditions under restructuring as it's being done
5 in Illinois.

6 We know that most Illinois utilities
7 will be procuring their supplies from the wholesale
8 marketplace to meet what will now become a more
9 uncertain, and more volatile level of demand. We
10 would hope that there will be choices for
11 residential customers, certainly we know that there
12 are already are choices for the small commercial
13 customers, and that adds a level of volatility to
14 the utility supply planning that we've just never
15 needed to experience before.

16 Now, our conundrum here is that we could
17 go out and fully hedge our position. We could
18 assume that we will ultimately have to serve all of
19 our delivery services customers, everyone hooked up
20 to our wires. If we were to do that, however, we
21 could end up buying so much supply in the market
22 that there is simply not enough available for other

1 suppliers to provide and, therefore, really slow
2 down the development of a competitive marketplace.

3 So we really need to better define our
4 obligation to serve so that in attempting to meet
5 that obligation in a proper way, we don't
6 inadvertently stifle the marketplace development.
7 So that's why we have bifurcated our proposal into
8 the small group and into the large group, because
9 we need to pay attention to the large group in
10 order to bring benefits to the smaller group.

11 So what we really are attempting to do
12 is to balance needs and interests, and as Pam
13 indicated earlier we don't have all the answers,
14 we've been very busy identifying issues and
15 concerns, and we welcome the participation of all
16 the parties over the next several months to really
17 help us all sort this through. Because we really
18 do need to begin now, to begin to assess how we are
19 going to address volatility for the smaller
20 customers.

21 We don't believe that traditional
22 ratemaking is the answer. If we just simply were

1 to do cost of service ratemaking and leave it at
2 that, without paying attention to all the detail
3 and all the work that we need to do between now and
4 2004, we don't think that customers will be in a
5 good position at that point in time, nor will the
6 utilities who will be left with guessing as to what
7 will be prudent purchasing decisions, for example.

8 We know that we have been offering some
9 supply options to customer, and in some cases those
10 supply options have actually discouraged some
11 customers from switching. For example, the frozen
12 bundled rate, or the power purchase option. So we
13 try to deal with those in our proposal.

14 We have this chicken and egg situation.
15 Large customers have been switching off of bundled
16 services, we need to continue to encourage that and
17 to insure that conditions are there so that an
18 efficient competitive marketplace is developing.

19 And what we would propose to do in order
20 to take the next step to keep that movement going
21 is to limit the availability of our power purchase
22 option to only nonresidential customers paying a

1 positive competitive transition charge effective
2 this summer.

3 We would then also propose, over the
4 course of the next several years, to begin to do
5 what I call peeling apart the onion, so that by
6 2005, our large commercial and industrial
7 customers, those over 400 kilowatts, are in fact
8 exposed to market based prices from the utility.
9 And the idea there being if they want to hedge
10 those prices, they have an ability to do that
11 themselves, certainly, or to go to an alternate
12 supplier to provide them the kind of stability and
13 hedging that they need. The utility should not be
14 in the position of doing that which the customer
15 and the marketplace is perhaps better equipped to
16 do.

17 At the same time, of course we are
18 concerned about price certainty for the smaller
19 customer. I think the events in California have
20 shown that smaller customers don't have the stomach
21 for price volatility or surprises, nor are they
22 well equipped to deal with those. Our thought

1 right now is that we would have some type of a
2 fixed price offer between 2005 and 2008 for these
3 customers, which would shield them from the effects
4 of load and price fluctuations, but of course allow
5 them to switch.

6 Quite frankly, we don't have a very well
7 developed thought process on how we would do this
8 for these customers. Clearly we want to set a
9 benchmark price against which RES's will be able to
10 compete, but we understand that there are a whole
11 lot of other public policy issues which we will all
12 need to grapple with in order to do this in a way
13 which the legislatures and you, as the regulator,
14 deem to be the best way to do this.

15 So right now we think the first steps
16 need to focus on the larger customers, the 400
17 kilowatt and greater customers, recognizing that
18 success in that area will bring a predicate for
19 success among the smaller customers. And then as
20 markets develop we can better assess how we can
21 deal with the smaller customers.

22 So again, our first step will be to seek

1 elimination of the power purchase option for those
2 customers not paying transition charges. We would
3 hope to make that filing by November 15th, 2001.
4 We understand that there will be an opportunity for
5 dialogue next week on this issue, and we certainly
6 welcome any comments or concerns, particularly of
7 an implementation nature that might accompany that
8 proposal.

9 We are taking this step because, quite
10 frankly, it is a first very easy step. The
11 Commission has already determined that Com Ed's
12 offering of the PPO to customers with a 0 CTC
13 really goes above and beyond that which we are
14 obligated to do under the law. And while we have
15 found that the PPO has been a very valuable jump
16 start to service in our service area, we think it's
17 time to pull the plug where we can do so in
18 comportance with the law and all of the other open
19 access procedures.

20 The PPO has been an important
21 transitional tool and some of the statistics on
22 customers taking the PPO, quite frankly, surprised

1 us all. It became very clear that most of the
2 alternative suppliers were relying on the power
3 purchase option as a supply option. Instead of
4 developing their own back room operations or
5 procuring power on the wholesale market, it was
6 very easy to simply instruct their customers to
7 sign up for the PPO and assign that power and
8 energy then to the ARES.

9 This was an understandable thing to do.
10 We are all aware that the wholesale markets are not
11 as deep and liquid and transparent as we would like
12 them all to be. Certainly we are working through
13 the alliance RTO to get to work on daily balancing
14 markets, for example. And of course we have also
15 improved our own transmission capability so that
16 with our import capability of 4500 megawatts we can
17 bring other power supplies in and we are
18 encouraging, in control area, generation as well.

19 So we think that beginning to pull
20 reliance on the PPO, given all of the new
21 generation, given the transmission reinforcement
22 and given the promise of the RTO, is the right

1 thing to do.

2 85 percent of our PPO customers are on
3 the PPO because an ARES or an agent put them there,
4 that is very important to understand. Customers
5 are not making that choice on their own, it is a
6 supply option by a third party. And what is very
7 heartening to me, though, is that given the new
8 generation, given the transmission improvements, as
9 Pam illustrated, the kilowatt hours on PPO versus
10 RES supply are actually running neck and neck.

11 And I think it's very important to
12 understand that ARES themselves flowed over 1500
13 megawatts of power at the time of our system peak
14 this year. And that's a number of memory, but it's
15 in that ballpark, which was very, very important.
16 Very few ARES are relying 100 percent on the PPO.
17 They are all developing their capabilities to
18 procure power, and I think we need to do whatever
19 we can to assist them in continuing that ability.

20 We would also point out that the Federal
21 Trade Commission has just issued a very good report
22 on an assessment of competitive development

1 nationwide, and they've also pointed out the
2 detrimental impact on relying on things like the
3 PPO, they specifically named the Illinois PPO in
4 particular.

5 This bar chart here illustrates some of
6 the statistics that I've thrown out, it's
7 concentrating on customers in the 1 to 3 megawatt
8 group, 3 to 6, the 6 to 10 and the over 10. And
9 the blue are those customer sales that are still on
10 Com Ed's bundled service, but if you look at the
11 combination of the red and the white, these are
12 customers that have ventured off bundled tariff
13 service. And again, you can see the split between
14 the RES supply and the PPO supply.

15 This is very heartening for this large
16 group in particular. 25 percent of the generation
17 sales to customers of 1 megawatt or greater is
18 actually coming from RES's, so we think this is a
19 very positive sign and will allow us over the
20 course of the next year to basically set a plan
21 where we can begin to get out from under the
22 traditional bundled rate and go to some type of a

1 market based pricing.

2 And we understand that the Commission
3 needs evidence to act on, that's why we have broken
4 this evidence out in this particular way, because
5 we may want to peel apart the onion and do this
6 layer by layer over the course of the next several
7 years.

8 In summary, on our PPO proposal, Com Ed
9 does share everyone's concerns regarding excessive
10 reliance on the PPO service. We think that
11 continued reliance on the PPO, as well as on
12 bundled rates, will dampen wholesale market. And
13 that limiting the eligibility for the PPO, which we
14 would hope to do in the next month, basically it's
15 a small step, but it's a very important first step
16 towards a greater wholesale market development.

17 This will signal to everyone in the
18 marketplace that it's time that everybody started
19 acting as market supply resources. And we do want
20 to point out that in light of the low market prices
21 today, actually very few customers will be impacted
22 by our proposal. Fewer and fewer customers are

1 impacted by this proposal every time we look at the
2 market forwards. We believe it's something less
3 than 90 megawatts of demand, and perhaps a couple
4 of hundred customers.

5 Again, the market prices at that point
6 in time will determine just how many customers are
7 going to be impacted who will no longer have the
8 PPO available as a supply option.

9 Again, we want to point out that this is
10 a small step, but it's a necessary adjunct to all
11 of the other work that we are doing, be it working
12 on the ARTO or on transmission or on encouraging
13 new generation in our service area.

14 I would like to conclude by saying that
15 the obligations to serve the bundle rate has
16 effected and will continue to effect the
17 development of competition in our service area. In
18 order to instill certainty and promote competition,
19 we have to figure out how to restructure that
20 obligation to serve appropriately.

21 And while the large concern is what will
22 happen to prices in 2005, this is a pressing matter

1 today. We know, for example, that if we are to
2 declare something competitive, or to ask you to
3 declare something competitive, that customers on
4 the bundled rate still get that rate for three more
5 years. So we have quite a bit of regulatory lag
6 built into the legislation we are operating under.
7 And it is, therefore, a good reason, but we need to
8 keep that in mind that if we are to get to point B
9 in 2005, we need to start thinking now how we are
10 going to effectively get there.

11 Again, the details of much of this is
12 still under development. We believe that an active
13 dialogue with all the parties and the Commission
14 over the course of the next year will really help
15 us to map out more concretely where we think
16 Illinois competition will be headed. Com Ed's
17 service area in particular, especially over the
18 next year. Thank you.

19 COMMISSIONER HARVILL: Thank you. We will now
20 turn to questions from the commissioners.
21 Beginning with Commissioner Kretschmer.

22 COMMISSIONER KRETSCHMER: Can either of you tell

1 me how -- what CTC is right now?

2 MS. JURACEK: The CTC varies by customer class
3 because it starts out with your bundled rate as the
4 starting point, and then it subtracts delivery
5 service charges and market values and a mitigation
6 factor.

7 It does vary, there are a few customers
8 that have a 0 CTC now, which means their bundled
9 rate is lower than the combination of market value
10 plus delivery services. I don't recall the range,
11 but it is on the order of a half a penny a kilowatt
12 hour or less, unless Krumrine can correct me on
13 that.

14 COMMISSIONER KRETSCHMER: Half a penny or less
15 for what class of customers?

16 MS. JURACEK: Generally it's nonresidential
17 customers who currently have customer choice. We
18 have filed within our delivery services tariff some
19 exhibits with those exact numbers. I'm sorry, I
20 didn't bring those with me.

21 COMMISSIONER KRETSCHMER: With PPO customers
22 that you were saying should be encouraged to leave

1 and get into the market, what is it for those
2 customers, how much is the CTC for those customers?

3 MS. JURACEK: Again, it varies. All
4 nonresidential customers are able to take the PPO
5 service. The market value is the market value that
6 we use in the CTC calculations. It is the period A
7 market value or the period B market value.

8 COMMISSIONER KRETSCHMER: How long is that CTC
9 going to continue? It stops in '04, is that the
10 cutoff date?

11 MS. JURACEK: We have the ability to collect it
12 through 2006.

13 COMMISSIONER KRETSCHMER: Do you really think
14 that with CTC of any substance that we are going to
15 have many competitors coming into this market?

16 MS. JURACEK: You know, it's been an interesting
17 phenomenon. When we negotiated the law, we thought
18 people didn't want a CTC and that a 0 CTC was a
19 good thing. It turns out that a 0 CTC means you
20 are better off on bundled rates, and it is those
21 customers with a positive CTC who are able to enjoy
22 the mitigation factor savings provided for in the

1 law. So we've had some unintended consequences or
2 counterintuitive results in the law.

3 But having a positive CTC means that
4 there are some built in savings in the math for the
5 customer.

6 COMMISSIONER KRETSCHMER: You are saying that if
7 I'm a customer and I'm paying a CTC rate, that
8 that's a positive effect for me?

9 MS. JURACEK: It means that the sum of the
10 market value, plus your delivery service charges
11 are less than your bundled rate. And to have a
12 larger CTC means the market values are lower, which
13 means the alternate suppliers also are able to
14 procure power at low cost.

15 COMMISSIONER KRETSCHMER: How many marketers do
16 you have operating currently within your service
17 territory?

18 MS. JURACEK: We have 8 marketers that are
19 either RES's or alternate suppliers operating. But
20 a large number of customer that are on the power
21 purchase option are put on there by agents who are
22 not certified RES's, they are simply consultants,

1 aggregators in the field. So we actually have a
2 larger number of folks out there making a living.

3 COMMISSIONER KRETSCHMER: Speculatively,
4 however, what percentage of your load are they now
5 handling?

6 MS. JURACEK: Basically it would be 33 percent
7 of our kilowatt hour sales.

8 COMMISSIONER KRETSCHMER: So you are saying that
9 8 marketers are now taking 33 percent of your load
10 away from you as a supplier, is that what you are
11 telling me?

12 MS. JURACEK: Let's take a look at the red,
13 white and blue chart.

14 COMMISSIONER KRETSCHMER: What page are you on?

15 MS. JURACEK: That would be on Page 19. And for
16 these larger customers, 25 percent of the kilowatt
17 hour sales to these customer groups are through
18 RES's. There is another large percentage, almost
19 another 25 percent, that is through the PPO. Some
20 of which is as a result of ARES putting customers
21 on the PPO. So it's some combination of the red
22 and the white bars.

1 COMMISSIONER KRETSCHMER: Some combination of
2 the red and the white bars. If we totalled them
3 up, then, you say it would be approximately
4 one-third of the load, is that what I'm hearing?

5 MS. JURACEK: Basically we have about 35,000
6 megawatts on both PPO and RES service.

7 COMMISSIONER KRETSCHMER: 5,000.

8 MS. JURACEK: 5,000 megawatts, about 25 percent
9 of our kilowatt demand and a larger percentage of
10 our sales.

11 COMMISSIONER KRETSCHMER: Thank you, I may have
12 more questions later.

13 COMMISSIONER HARVILL: Chairman Mathias.

14 CHAIRMAN MATHIAS: In order to play the devil's
15 advocate role, I will ask a couple of questions of
16 you. I'm interested in Page 2 of your proposal, it
17 says that your discussion today is aimed at
18 creating certainty and promoting competition.

19 Would this proposal promote competition
20 in, for instance, a CILCO service territory?

21 MS. STROBEL: I think theoretically this should
22 create competition for all parts of Illinois. I'm

1 not familiar enough with the CILCO statistics in
2 terms of switching to say exactly how and when that
3 would occur.

4 But under our premises that it's time to
5 change the PPO, and make that step so that we have
6 more of a market oriented approach to getting large
7 customers into the marketplace, then for large
8 customers who would be under those same rules and
9 regulations in the CILCO service territory as they
10 would enter into the wholesale market and begin to
11 secure their own supply, one would think that that
12 would contribute to furthering competition for all
13 of us in the state.

14 CHAIRMAN MATHIAS: That's a good segue into the
15 next question. Because CILCO has no customers on a
16 delivery service tariff, and most of the other
17 utilities in the state have very few customers on a
18 delivery service tariff.

19 So are your comments on Page 3, where
20 you say the competitive marketplace is developing,
21 would you limit those discussions or those comments
22 only to Commonwealth Edison service territory, or

1 are you saying that the competition or the
2 competitive marketplace is developing in all
3 service territories throughout the state?

4 MS. STROBEL: I feel that I can only speak to
5 what I know about within the Com Ed service
6 territory. But the point of those words was to
7 really make the observation about what is really
8 happening on the supply side.

9 If we start with just as number one
10 principle in having a competitive marketplace, we
11 would have to have supply being fostered and new
12 generation coming into the market. Without that,
13 and I guess that's where we were back in April
14 looking at the California situation, without
15 adequate supply, there will never be new entrants
16 interested in coming into a market because all of
17 the existing supply is going to be bought by the
18 incumbent utility with the provider of last resort
19 obligation.

20 So number one, if we are going to have a
21 wholesale marketplace develop there has to be a
22 good supply in order to induce entrance for trading

1 in that marketplace. So as a juncture, which is.
2 I think, what we are trying to say today, we've
3 reached about the halfway point in the transition
4 to competition.

5 Looking at this juncture, we do have a
6 competitive marketplace developing because of so
7 much new supply having come into, and I'm speaking
8 now to the Com Ed service territory, although I
9 think there have been some independent power
10 plants.

11 CHAIRMAN MATHIAS: So this construction of
12 peaker plants is an indication of a competitive
13 marketplace?

14 MS. STROBEL: It's essentially to start the
15 development of a competitive marketplace.

16 CHAIRMAN MATHIAS: Ms. Juracek and I have had
17 long discussions about robust competition or the
18 development of robust competition, and I won't go
19 there today. But I may only suggest that I would
20 believe that your comments would be limited pretty
21 much to the Commonwealth Edison service territory.

22 I think you would get some pretty strong

1 arguments about others that there may not be a
2 competitive marketplace outside the Commonwealth
3 Edison territory, and some would argue regarding
4 the Commonwealth Edison service territory itself.

5 Another question, isn't your proposal
6 really mixing two concepts. One is you are
7 suggesting that the large users should be subject
8 to the market and are smart enough to take care of
9 themselves. But at the same time you are saying
10 that all users should be restricted from going on
11 the PPO, regardless of their size.

12 MS. STROBEL: I'll let Arlene fill in here. But
13 the first step is simply to eliminate the PPO for
14 those customers who will not be paying the CTC.

15 CHAIRMAN MATHIAS: Regardless of size?

16 MS. STROBEL: That's right. So that is the first
17 step. And the way we are currently fashioning
18 this, is that we would not have the complete
19 elimination of the PPO until we reach the end of
20 the transition period. And that that would be the
21 appropriate point to say if we were going to have a
22 fully competitive market, we have to eliminate what

1 was considered to be a transition or a fall back
2 position when the law was passed in 1997.

3 CHAIRMAN MATHIAS: But was one of the provisions
4 of this well-balanced, concisely drafted piece of
5 legislation.

6 MS. STROBEL: Just as I said at the start of my
7 comments, that we would not profess to have all the
8 answers. I don't think all the people and entities
9 that were involved back in 1997 professed to have
10 all the answers.

11 And in fact if you look at one of
12 differences between how Illinois passed and
13 negotiated its restructuring legislation, versus
14 California or Texas, as an example, there was a
15 recognition that we would need to learn as we
16 proceeded. And that we chose as a state not to
17 make all of the decisions associated with
18 restructuring right at the outset. And so that's
19 why we have a transition period and I think that's
20 why we are in a very good place in Illinois to be
21 able to stop today and at this time period, and
22 assess where are we.

1 And the PPO would be one of the
2 mechanisms that deserves to be put under the
3 microscope and said has it worked, has it been an
4 element in fostering competition. If you look at
5 the statistics, we would say it was necessary to
6 get it started, but now that we have the marrying
7 of the RES's and the PPO's, it's time to say is
8 that needed any long, and then to take it in steps
9 to eliminate it.

10 So when we reach the point where we hope
11 to see full competition, there would not longer be
12 that crutch or that transition mechanism.

13 CHAIRMAN MATHIAS: But the elimination of the
14 PPO would also have an impact on the revenues of
15 Commonwealth Edison.

16 MS. JURACEK: Certainly. If I could supplement,
17 from where I sat back in '96 and '97, the PPO was
18 really put into the act for two reasons. One,
19 which I call the keep the utilities honest reason,
20 which was basically to say if there is going to be
21 a market value used in the CTC calculations, then
22 the utilities ought to be willing to sell power at

1 that value.

2 And the other reason was a concern among
3 certain customer groups that because of
4 transmission constraints, they perhaps would not
5 have access to competitive supplies and therefore
6 wanted a market based option available from the
7 utility. So those were two reasons why the PPO,
8 from where I sat, were put into the law.

9 I don't think any of us at that point in
10 time anticipated how heavily the RES's and other
11 agents would be relying on it for their service.
12 Clearly it still serves those two original
13 purposes, the keep the utilities honest purpose and
14 a protection against transmission constraints.

15 But where we can eliminate its use as a
16 crutch, within the confines of the law, I think it
17 is one small step, and just one indication that
18 it's time to push the birdies out of the nest, so
19 to speak, and really begin to expand their use of
20 the competitive market to supply their customers.

21 CHAIRMAN MATHIAS: And are the customers asking
22 for a discontinuation of PPO.

1 MS. JURACEK: I think customers are asking for
2 economic energy choices, and probably don't care
3 one way or the other. We need to have customers,
4 obviously, that are interested in savings, and
5 active alternate suppliers who are interested in
6 getting those savings from the competitive
7 marketplace.

8 CHAIRMAN MATHIAS: One final question, on Page
9 19 where you give the RES supply and Rider PPO, how
10 much of the RES supply is provided by your
11 affiliate?

12 MS. JURACEK: I don't know.

13 CHAIRMAN MATHIAS: Would it be half?

14 MS. JURACEK: I'm aware that our affiliate is
15 making sales to the alternate suppliers. I'm also
16 aware that will are other generators making sales
17 within our control area as well. I just don't have
18 the percentage.

19 CHAIRMAN MATHIAS: Thank you.

20 COMMISSIONER HARVILL: Commissioner Hurley.

21 COMMISSIONER HURLEY: I don't want to go on and
22 on about this PPO that much, but in point of fact a

1 couple of week ago I went out and gave a little
2 presentation to the IIEC group, and there was much
3 discussion after my presentation about the PPO.

4 Has this proposal been on the table for
5 some time, Arlene?

6 MS. JURACEK: Yes. After Pam wrote her letter
7 to you, we did speak to a number of groups,
8 including the IIEC. And some of them, when I said
9 earlier that customers don't care, let me amendment
10 that by saying there are a few IIEC members who
11 would care deeply, and want us out of the PPO
12 business.

13 COMMISSIONER HURLEY: That was very clear during
14 my session with them. And I'm certainly aware of
15 the fact that these are very intelligent purchasers
16 of energy services within our state. These guys
17 take it seriously. And my impression after the
18 meeting was that they were interested in things
19 moving along in this fashion that you are now
20 proposing here.

21 Mrs. Strobels, you made a sweeping
22 statement on Page 3 of your proposal, with respect

1 to customers venturing off traditional bundled
2 tariffs, Illinois is in better shape than other
3 restructured states. And I put a little note, why.
4 I think you are right, but it is a sweeping
5 statement, would you care to elaborate on it?

6 MS. STROBEL: I think part of it is related to
7 the PPO, and just to what we've seen happening in
8 the market with falling wholesale prices, recently.

9 And if you look at some of the other
10 states, and I am somewhat familiar with
11 Pennsylvania now, although I would still not write
12 it all out on a piece of paper for you, but
13 customers are actually coming back to the incumbent
14 utility in Pennsylvania because of the way the law
15 structured the shopping credit, and then forced
16 certain customers off of the incumbent utility, as
17 used the electricity version of slamming as a way
18 to get the marketplace started.

19 And then as the marketers determined
20 that their margins were so low, because of what was
21 happening in the wholesale markets, they were
22 either determining to get out of business, or they

1 were going bankrupt, or customers were not as
2 enamored with having a choice, and so they were
3 coming back to the incumbent utility.

4 Which, if you are measuring competition
5 by how many customers are actually leaving the
6 incumbent utility and shopping in the marketplace,
7 would not be a good thing to say that competition
8 is working.

9 So as just a measurement, if we look at
10 Illinois, and say, is there competition, is the law
11 working? I think a good -- it's not the only way
12 to look at it, but one measure is to say, how many
13 customers have elected to go off of fully bundled
14 tariffed rates? And there we have a greater
15 proportion of customers in the nonresidential
16 segment of our customer classes that have done
17 that.

18 COMMISSIONER HARVILL: Commissioner Squires.

19 COMMISSIONER SQUIRES: Thank you. I have very
20 little to add. However, in your concluding remarks
21 on Page 21 there is a mention that this is a
22 pressing matter and several steps must be taken to

1 insure that all involved have time to prepare. And
2 the next statement that several aspects of our
3 proposal are still in development. Can you
4 elaborate on that a little bit?

5 MS. JURACEK: We basically know where we want to
6 end up, or where we think we want to end up in
7 2005. It's getting from here to there that really
8 needs to be worked out.

9 Certainly there are checks and balances
10 within the law with respect to what the utilities
11 can do, with respect to what the Commission must
12 do. And a lot of this will depend on the continued
13 development of the marketplace in Illinois. We
14 clearly need to take careful steps and well
15 reasoned steps, anticipate the unanticipated to the
16 extent that we can, and really work out how we are
17 going to unfold the regulated rates that currently
18 are frozen that we're operating under, and get a
19 bundled rate fall back for the large customers, in
20 particular, that will make sense by the time we get
21 to 2005. So that the market will continue to
22 develop.

1 COMMISSIONER SQUIRES: Do you feel that you can
2 accomplish this?

3 MS. JURACEK: I think it's going to be a joint
4 effort among all the parties in the room, the
5 utilities, the commissioners and the alternate
6 suppliers and the customer groups to really figure
7 this out. It's going to be a larger effort, too.

8 I think we need to do whatever we can in
9 the FERC arena to help assure that the ARTO or the
10 MISO, or whatever the ultimate regional
11 transmission organization for the area is going to
12 be, and to help work on the liquid and deep markets
13 that we need.

14 We also as a state need to continue our
15 current success in bringing new supply into the
16 state. Obviously we need to do that in a rational,
17 well reasoned way, but we all as a state need to
18 continue on several different fronts.

19 COMMISSIONER SQUIRES: Thank you, very much.

20 COMMISSIONER HARVILL: Chairman Mathias.

21 CHAIRMAN MATHIAS: The third prong, I think, of
22 your program I think would be the fixed price offer

1 that would shield the small customers. Would you
2 care to elaborate on that? This is on Page 16.

3 MS. STROBEL: Right. That is one of the key
4 areas where the details would need to be worked
5 through, and worked out with all of the market
6 participants, and all the people who are
7 represented in this room. We would not lay out any
8 kind of a specific proposal on that today.

9 But the concept is that there should be
10 an element of a fixed price offering for those
11 small customers under the premises that many of
12 them will not want to or choose to go to
13 alternative suppliers. If they choose to, they
14 will be able to. This is not as an alternative to
15 their having choice, this is in addition to choice.

16 But it's part of the overall concept of
17 having a way that the utility can plan, reasonably
18 for what its supply obligation would be. And if we
19 know that we would be offering a fixed price to
20 that segment of customers, then we would be able to
21 take the steps, the long-term steps that you need
22 to take to secure that supply and hedge against

1 that risk.

2 CHAIRMAN MATHIAS: So really you are suggesting
3 three parts of the program. One, what we just
4 discussed, and that is to fix price offer for the
5 smaller customer for a period of three years,
6 sometime beginning in 2005. Secondly, limit in
7 2002 the availability of the PPO. And third, give
8 the large users what you say they wanted, and that
9 is the inability to come back to Commonwealth
10 Edison at some future point in time.

11 MS. STROBEL: Exactly.

12 MS. JURACEK: Let me amend that a little bit. We
13 are not saying that the larger users are unable to
14 come back to Commonwealth Edison. As a practical
15 matter, we are the control area operator. The
16 point is to do it in a way which will encourage
17 them to shop in the market by pricing that in a way
18 that's tied to the market, and really push them out
19 to the alternate suppliers as a preferable hedging
20 tool.

21 COMMISSIONER HARVILL: I don't think there is
22 probably too much disagreement that consumers

1 should have services that accurately reflect the
2 risk that the utility is undertaking to provide
3 them the service, to follow along with what the
4 other commissioners have said.

5 My understanding of this is it's going
6 to be accomplished, hopefully, in a series of
7 steps. The first step being the elimination of the
8 PPO for those customers who no longer have a CTC
9 beginning next year.

10 The next step would be to develop some
11 type of bundled rate or possibly unbundled rate
12 which as a generation component that accurately
13 reflects the market risk associated with taking
14 service from utility, essentially at a moments
15 notice.

16 And then third is dealing with the mass
17 market, which you don't have a lot of details on
18 right, and we wouldn't expect you to given the time
19 frames we are talking here. Is that an accurate
20 statement?

21 MS. JURACEK: Yes.

22 MS. STROBEL: I think so.

1 COMMISSIONER HARVILL: The other question I have
2 is you have a significant number of consumers that
3 are taking service from PPO. Under this proposal
4 have you run any numbers or done any analysis as to
5 what the affect would be for those customers on the
6 PPO currently when they would return to bundled
7 tariff service, or whether they would, as you said,
8 push the birds out of the nest into the market?

9 MS. JURACEK: Clearly we can't know that with
10 certainty. But with the 83 percent of PPO
11 customers being put there by somebody else, it
12 means that customer already has a relationship with
13 an agent or with an RES. Which to me would
14 indicate that with market prices as low as they are
15 projected to be next summer, there is a good
16 possibility that they will stay with the retail
17 electric supplier, or the agent will hook them up
18 with the retail electric supplier. So it's our
19 hope that the preponderance of those folks, in
20 fact, do not come back to bundled service.

21 COMMISSIONER HARVILL: Excuse my ignorance on
22 this question but, I don't think it's real clear.

1 There are some utilities in the state who have
2 elected to eliminate their CTC for certain
3 customers, and have also seen that they have the
4 right at some point in time in the future to
5 reinstitute that CTC for those same customers.

6 Is it safe to assume that the
7 elimination of the PPO for those customers with 0
8 CTC would remain in full effect throughout the
9 transition period? You wouldn't be reinstituting
10 CTC's for certain customers and essentially
11 creating chaos as far as administration of this is
12 concerned?

13 MS. JURACEK: We've been looking at the law in
14 terms of what that would entail. And our
15 inclination right now is to just basically let the
16 CTC float as it will. If market prices stay low,
17 their CTC's will continue to be 0 and they will
18 continue to be ineligible.

19 However, if market prices were to
20 increase dramatically, and their CTC's were to
21 change, then that would effect their eligibility at
22 that point in time. It would, in effect, make more

1 customers ineligible for the PPO if market prices
2 were to increase.

3 Our inclination right now is that there
4 are fewer unintended consequences if we just let
5 the calculations float and let the eligibility
6 float. Obviously we would be interested in any
7 feedback from customers or suppliers as to how that
8 would work.

9 COMMISSIONER HARVILL: Okay. Are there any
10 other questions? Commissioner Kretschmer.

11 COMMISSIONER KRETSCHMER: I too am interested in
12 the question that was asked by the chairman on Page
13 19. You said you didn't have the information of
14 what percentages were as far as your own ARES and
15 others. Could you perhaps get that information or
16 supply us with that information?

17 MS. JURACEK: The question was supplied by the
18 Exelon affiliate, which is not the ARES, it is
19 power team selling at wholesale. And I'm afraid
20 that I'm unable to get that information.

21 COMMISSIONER KRETSCHMER: Who could? We can?

22 COMMISSIONER HURLEY: Probably.

1 COMMISSIONER KRETSCHMER: Well, we can try. I
2 have a couple questions about peakers. Where are
3 -- first of all, let me rephrase. What fuel is
4 being used for those peakers?

5 MS. STROBEL: Gas.

6 COMMISSIONER KRETSCHMER: Are any of the peakers
7 being built in Illinois base load or are they all
8 peakers?

9 MS. STROBEL: They are all peakers. Intermediate
10 peakers for the most part. I don't think any of
11 these are base load. This is something we didn't
12 cover in our remarks this morning, but when you do
13 look at the longer term supply needs of Illinois, I
14 think we will, maybe not in this forum, but in some
15 forum, I think we will be talking about siting
16 additional base load plans for Illinois. This is
17 something we have started to talk about.

18 COMMISSIONER KRETSCHMER: Are the location of
19 these peakers close to markets, or are they closer
20 to supply? In other words, closer to perhaps an
21 interstate pipeline, or where are they being built
22 for the most part?

1 MS. STROBEL: We could provide you with a map,
2 because I know we used that in the April/May time
3 frame when we are talking about the current supply
4 portfolio in Illinois.

5 Most of these plants have been sited in
6 the locations that we had identified back in 1998
7 as being the best sites in terms of the supply,
8 they're close to the gas transportation, and close
9 to interconnection to the transmission grid. So we
10 tried to kind of put an X on all the sites within
11 our own service territory that would be good for
12 both purposes. And for the most part, they have
13 been sited there. Not in all cases.

14 COMMISSIONER KRETSCHMER: Are any sited on your
15 existing plant land sites, land that you own?

16 MS. JURACEK: Well, Com Ed doesn't own the
17 fossil sites anymore. And I don't believe anybody
18 is building peakers on any of the nuclear sites
19 that Exelon owns.

20 COMMISSIONER KRETSCHMER: Last winter we saw
21 extremely high natural gas prices. President Bush
22 has emphasized that we need a diversity of supply,

1 coal, nuclear, natural gas, so on and so forth.
2 I'm wondering, at the moment, our natural gas
3 prices are very, very low. But that can change,
4 too. What do you think would happen to these
5 peaker plants, who, I'm sure that the management
6 has signed contracts for their supply to go to X Y
7 Z, whoever, some company, what do you think would
8 happen if the supply of natural gas were to take a
9 dramatic jump in price, and I mean dramatic, and
10 hold for a while?

11 MS. JURACEK: I think a lot of that would depend
12 on the hedging strategies that those peaker plant
13 owners had employed. When the forward started to
14 creep up, did they start to lock in some longer
15 term supply instead of just buying from the spot
16 market. So I would hope that it would be
17 moderateed, and that they would not all have been
18 relying on spot market purchases.

19 I believe, just based on a layman's
20 reading of the newspapers, and talking with gas
21 folks, that they are engaging in more of that
22 hedging, which would moderate that impact some

1 what. Over all, prices wouldn't go up. Whether it
2 would go up in a same amount as the spot market is
3 difficult to say.

4 COMMISSIONER KRETSCHMER: Com Ed has done no
5 surveys or investigations as to plans that these
6 plants have, these peaker plants, as far as
7 managing to stay in production should the price of
8 natural gas rise dramatically?

9 MS. STROBEL: No.

10 MS. JURACEK: No.

11 MS. STROBEL: And we do now receive our full
12 requirements of supply through 2004 through the
13 affiliate power team.

14 COMMISSIONER KRETSCHMER: Yes, I know that.

15 MS. STROBEL: And they would be procuring the
16 power from those peaker plants.

17 MS. JURACEK: I do think we can get an
18 underlying sense of where the marketplace generally
19 thinks those things are headed by looking at the
20 Into Cinergy Forwards which we've shown into our
21 slides.

22 To the extent generation by natural gas

1 produces electricity and folks are pricing forward
2 electricity prices, there seems to be some
3 confidence that at least going through calendar
4 year 2002, prices are going to be relatively low.

5 COMMISSIONER KRETSCHMER: We've been surprised
6 before.

7 MS. JURACEK: Yes, we have.

8 COMMISSIONER KRETSCHMER: As far as these
9 peakers are concerned, there is nothing that
10 mandates that they sell their power in Illinois.
11 They can be built in Illinois and sell their power
12 in Kentucky, Indiana or any place else they choose
13 to?

14 MS. JURACEK: That's right.

15 COMMISSIONER KRETSCHMER: If a peaker plant is
16 built, and the peaker plant asks for an
17 interconnection, who pays the cost of the
18 interconnection to the peaker plant? Does the
19 peaker plant pay it or who does pay it? Just put
20 it that way.

21 MS. JURACEK: Basically the peaker plant pays
22 for for the cost of the interconnection.

1 COMMISSIONER KRETSCHMER: So they pay the whole
2 cost, there is no burden on customers of Com Ed?

3 MS. STROBEL: That is a question that FERC has
4 examined, and I think that they are starting to
5 reexamine how the interconnection costs should be
6 paid for. Either up front by the peaker plant
7 owner, or as part of the transmission charges.

8 COMMISSIONER KRETSCHMER: That's the question
9 that came to the front because the CEO of Southern,
10 I've forgotten his name offhand, I've heard him
11 speak and expressing great concern about who was
12 paying the cost of the intersection. So the FERC
13 has just gotten on that lately, because until now,
14 in fact I think at the moment, they are still
15 saying that the utility has to pay the cost of the
16 interconnection. I think I'm right on that, but I
17 think there is some reconsideration on that point.

18 MS. JURACEK: We've been employing the direct
19 assignment methodology wherever we could. It would
20 make sense that the cost causer would pick up the
21 cost. But we are very troubled by some of the
22 direction that the FERC discussion is going right

1 now, which roll it all into the transmission rate.

2 COMMISSIONER KRETSCHMER: And if that -- if the
3 FERC were to hold to the position that they are
4 now, would the host utility or the host state then
5 have to pay the cost of the interconnection, and
6 pass that through to their customers?

7 MS. JURACEK: It would be in the transmission
8 tariff of the transmission entity, which we would
9 hope would be the ARTO.

10 COMMISSIONER KRETSCHMER: Well, would the cost
11 be passed through to the entire transmission
12 service territory, or just to the state in which
13 the peakers are built?

14 MS. JURACEK: I believe it would be rolled into
15 the ARTO rates, generally.

16 COMMISSIONER KRETSCHMER: Is that currently the
17 law or FERC is indicating, I think, FERC was saying
18 at this point states.

19 MS. JURACEK: I think that's open for discussion
20 still at FERC.

21 COMMISSIONER KRETSCHMER: I would suggest that
22 if the FERC is going to hold to the firm position

1 that states should pass through the cost to their
2 customers, I would very quickly become an advocate
3 of no more peakers in Illinois. Let them go to
4 Indiana, let them go to Kentucky, they are not
5 building anything. I think its an issue that we
6 should be very concerned.

7 COMMISSIONER HARVILL: That being said, if there
8 are no more questions, I would point out once again
9 we have a meeting scheduled for Wednesday October
10 24th at 1:00 p.m. here in Chicago. I know we are
11 scheduled to be in Springfield, I will be in
12 Chicago for that workshop. The workshop is open to
13 any and all who wish to attend and come and state
14 an opinion on this.

15 My feeling right now is without having
16 drafted an agenda for that meeting we are going to
17 focus on the he elimination of the PPO for CTC -- 0
18 CTC customers, as well as maybe get into a little
19 bit of discussion about the bundled rate structure
20 for customers, the larger group of customers that
21 was talked about earlier. I doubt we will get into
22 the residential or smaller market or the mass

1 market.

2 COMMISSIONER KRETSCHMER: Chairman Harvill, as
3 chairman of the electric committee, I'm wondering
4 if we should not schedule maybe a joint meeting
5 with the gas committee, even invite the telephone
6 companies to come in to discuss security in a
7 troubled time. So perhaps you and I can talk.

8 I'm not trying to get any details, I am
9 looking for the broad pictures, not specifics, I
10 don't want to know where every supply depot is, so
11 I think you and I can discuss that perhaps with
12 Commissioner Hurley and have a joint meeting of the
13 free committees.

14 CHAIRMAN MATHIAS: I think we should consider
15 that before we go forward with that.

16 COMMISSIONER HARVILL: The meeting is 1:00
17 o'clock, please contact one of the two people
18 listed on the agenda. I will endeavor to have an
19 agenda out by late this week, early next week for
20 that meeting. And if there is nothing else to come
21 before the Commission, we are adjourned. Thank you
22 all.

1 (Whereupon those were all the
2 proceedings had in the above
3 entitled matter.)

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